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## BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

Arizona Corporation Commission

DOCKETED

APR 29 2008

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In the matter of )

TREND MANAGEMENT GROUP, INC., a )  
Nevada corporation, )

SCOTT RENNY BOGUE, SR. and )  
ARLENE JANE BOGUE, husband and )  
wife, )

RYAN JAMES HERNDON and LORI )  
DARLENE HERNDON (a.k.a. LORI J. )  
HERNDON a.k.a. LORI JORDAN), )  
husband and wife, )

TREND CAPITAL, LLC, an Arizona )  
limited liability company, )

LINDA BRYANT JORDAN (a.k.a. LINDA )  
VAN VRANKEN a.k.a. LINDA JORDAN- )  
VAN VRANKEN), a married person, )  
individually and doing business as THE )  
TREND GROUP, INC., )

RUSSELL LANGDON VAN VRANKEN, )  
husband of LINDA BRYANT JORDAN, )

EASY STREET FINANCIAL GROUP, )  
INC., an Arizona corporation, )

CHRISTOPHER ELLIS MARX and JANE )  
DOE MARX, husband and wife, )

SCOT ALAN OGLESBY and LORI ANN )  
OGLESBY, husband and wife, )

Respondents. )

DOCKET NO. S-020476A-06-0557

DECISION NO. 70321

ORDER TO CEASE AND DESIST, ORDER  
OF RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME BY:

RYAN JAMES HERNDON

Respondent RYAN JAMES HERNDON elects to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. §44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease and Desist, Order of Restitution, Order of Administrative Penalties and Consent to Same ("Order"). Respondent admits the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by the Commission.

**I.**

**FINDINGS OF FACT**

1. TREND MANAGEMENT GROUP, INC. ("TREND MANAGEMENT") is a Nevada corporation with a last known, principal place of business in Scottsdale, Arizona.

2. SCOTT RENNY BOGUE, SR. ("BOGUE") is an individual last known to reside in Raleigh, North Carolina.

3. RYAN JAMES HERNDON ("HERNDON") is an individual last known to reside in Phoenix, Arizona.

4. TREND CAPITAL, LLC ("TREND CAPITAL") is an Arizona limited liability company with a last known, principal place of business in Phoenix, Arizona.

5. LINDA BRYANT JORDAN (a.k.a LINDA VAN VRANKEN a.k.a LINDA JORDAN-VAN VRANKEN) ("JORDAN") is an individual last known to reside in Phoenix, Arizona.

6. JORDAN has transacted business under the name THE TREND GROUP, INC. with a last known, principal place of business in Tempe, Arizona. THE TREND GROUP, INC. ("TREND GROUP") made an initial application to register as a corporation in the state of Nevada on or about June 22, 2005; however, the corporation was never organized and is currently in default of the application process.

7. EASY STREET FINANCIAL GROUP, INC. ("EASY STREET") is an Arizona corporation with a last known, principal place of business in Sun City, Arizona.

1 8. CHRISTOPHER ELLIS MARX is an individual last known to reside in Glendale, Arizona.

2 9. SCOT ALAN OGLESBY is an individual last known to reside in Desert Hills, Arizona.

3 **A. Overview of Trend Securities Offerings**

4 10. TREND MANAGEMENT was formed in 2001 to engage in the business of purchasing,  
5 managing, servicing, and selling distressed consumer receivables. Distressed consumer receivables  
6 are the unpaid debts of individuals that are owed to banks, finance companies, and other credit  
7 providers.

8 11. Beginning in approximately 2001, TREND MANAGEMENT began offering and selling  
9 securities in the form of preferred stock to the public. Through three separate private placement  
10 memoranda dated in 2001, 2002, and 2003, TREND MANAGEMENT attempted to raise  
11 \$10,000,000 through the sale of its preferred shares at an offering price of \$1.00 per share.  
12 According to the private placement memoranda, the preferred shares were to be offered for sale to  
13 accredited investors only in the States of Arizona, California, and North Carolina. During all  
14 relevant times, BOGUE and HERNDON were reflected as officers, directors and shareholders of  
15 TREND MANAGEMENT.

16 12. Beginning in late 2003, BOGUE and HERNDON begin raising money from the public to  
17 finance the operations of TREND MANAGEMENT. Documents received by investors indicated the  
18 investors were offered and sold either (i) a "membership" in TREND CAPITAL through the  
19 purchase of "certificates of participation" or (ii) "debt receivables" purchased by the investor and  
20 serviced through TREND CAPITAL (collectively, the "TREND CAPITAL Certificates of  
21 Participation"). The TREND CAPITAL Certificates of Participation were securities in the form of an  
22 investment contract.

23 13. The TREND CAPITAL Certificates of Participation were sold primarily through licensed  
24 insurance agents.

25 14. Between approximately August 10, 2001 and October 11, 2005, TREND MANAGEMENT,  
26 TREND CAPITAL, and EASY STREET raised in excess of \$15.9 million from over 300 investors,

1 the majority of which are Arizona residents, by selling the TREND CAPITAL Certificates of  
2 Participation. The investors in the TREND CAPITAL Certificates of Participation were largely  
3 unaccredited and unsophisticated. Many of the investors were elderly.

4 15. The majority of funds raised from the sale of the TREND CAPITAL Certificates of  
5 Participation were transferred directly or indirectly from TREND CAPITAL to the control of  
6 TREND MANAGEMENT purportedly to be used to finance TREND MANAGEMENT'S business  
7 of purchasing, managing, servicing, and selling distressed consumer receivables. As a result of the  
8 transfer of the investors' funds to the control of TREND MANAGEMENT, TREND CAPITAL was  
9 reflected as the largest holder of TREND MANAGEMENT'S preferred stock.

10 16. BOGUE and HERNDON were aided by JORDAN who did business under the name TREND  
11 GROUP. Bank accounts were opened under the name of TREND GROUP and facilitated the  
12 business operations of TREND CAPITAL by handling investor funds and paying business expenses.

13 **B. Trend Management Group, Inc.**

14 17. TREND MANAGEMENT did business in the state of Arizona. On or about February 1,  
15 2001, TREND MANAGEMENT made application to transact business as a foreign corporation with  
16 the state of Arizona while domiciled in Nevada. TREND MANAGEMENT was organized as a  
17 corporation under the laws of the state of Nevada on or about February 5, 2001.

18 18. TREND MANAGEMENT is not registered to sell securities in the state of Arizona.

19 19. BOGUE was the President and CEO of TREND MANAGEMENT according to corporation  
20 documents filed in the state of Nevada and the state of Arizona.

21 20. TREND MANAGEMENT'S July 20, 2003 Private Placement Memorandum ("PPM #3")  
22 reflects that BOGUE is the President and Treasurer of TREND MANAGEMENT and holds 50% of  
23 TREND MANAGEMENT'S issued common stock. PPM #3 reflects that BOGUE drew an annual  
24 salary and annual bonus as President and Treasurer of TREND MANAGEMENT.

25 21. HERNDON was the Secretary of TREND MANAGEMENT according to the records of the  
26 Arizona Corporation Commission, Corporations Division.

1 22. PPM #3 reflects that HERNDON is the Vice President and Secretary of TREND  
2 MANAGEMENT and holds 50% of TREND MANAGEMENT'S common stock. PPM #3 reflects  
3 that HERNDON drew an annual salary and bonus as Vice President and Secretary of TREND  
4 MANAGEMENT.

5 23. Beginning on or about September 24, 2001 until on or about September 29, 2004, TREND  
6 MANAGEMENT sold shares of its A and B preferred stock to individuals.

7 24. TREND MANAGEMENT paid sales commissions of approximately 8% to TREND  
8 CAPITAL for the sale of the TREND MANAGEMENT stock. TREND MANAGEMENT and  
9 BOGUE knew and intended that the commissions paid to TREND CAPITAL were subsequently  
10 being paid to EASY STREET for the sale of the TREND CAPITAL Certificates of Participation.

11 **C. Trend Capital, LLC**

12 25. TREND CAPITAL did business in the state of Arizona. TREND CAPITAL was organized  
13 as a limited liability company under the laws of the state of Arizona on or about September 10, 2003.

14 26. HERNDON was the only named managing member of TREND CAPITAL and the sole  
15 member of TREND CAPITAL.

16 27. HERNDON is not registered to sell securities in the state of Arizona. TREND CAPITAL is  
17 not registered to sell securities in the state of Arizona.

18 28. The majority (approximately 90%) of the TREND MANAGEMENT preferred stock was  
19 issued to TREND CAPITAL. TREND CAPITAL held the TREND MANAGEMENT preferred  
20 stock in its own business name and was the owner of record. TREND CAPITAL raised the funds it  
21 used to purchase TREND MANAGEMENT preferred stock by selling and issuing TREND  
22 CAPITAL Certificates of Participation to its investors.

23 29. Between on or about January 2, 2004 to on or about October 11, 2005, TREND CAPITAL  
24 raised over \$13.6 million from investors through the sale of the TREND CAPITAL Certificates of  
25 Participation. TREND CAPITAL issued the TREND CAPITAL Certificates of Participation to in  
26 excess of 300 investors. Most of the investors are Arizona residents.

1 30. TREND CAPITAL used sales agents to solicit investors in the TREND CAPITAL  
2 Certificates of Participation. Those sales agents were usually licensed insurance producers, but were  
3 not licensed to sell securities.

4 31. Investors in the TREND CAPITAL Certificates of Participation came from many sources –  
5 those directly solicited by TREND CAPITAL, those solicited by other independent sales agents in  
6 cities around the United States, and those solicited by EASY STREET.

7 32. The majority of the investors in the TREND CAPITAL Certificates of Participation were  
8 garnered through EASY STREET.

9 **D. The Trend Group, Inc.**

10 33. TREND GROUP did business in the state of Arizona. TREND GROUP attempted to register  
11 as a corporation in the State of Nevada on June 22, 2005, but failed to follow through with  
12 incorporation requirements and is currently in default as of August 1, 2005.

13 34. TREND GROUP is not registered to sell securities in the state of Arizona.

14 35. In or about April 2005, JORDAN began doing business as TREND GROUP. The name of  
15 TREND GROUP closely resemble the name of TREND CAPITAL, which had the effect of leading  
16 investors to believe that the entities were the same entity or a closely related entity.

17 36. During 2005, TREND GROUP and JORDAN opened bank accounts at US Bank. JORDAN  
18 was the only account holder on the TREND GROUP bank accounts, and JORDAN was the only  
19 signer on those accounts.

20 37. One of the US Bank TREND GROUP accounts was used to distribute funds to TREND  
21 CAPITAL investors. Another one of the accounts was used, amongst other things, to deposit  
22 investor money for TREND CAPITAL Certificates of Participation investments. That same account  
23 was the account that paid the business expenses of TREND CAPITAL, including salaries, office  
24 space rental, office supplies, utilities, and office furniture.

25 38. The TREND GROUP account at US Bank received funds from TREND MANAGEMENT.  
26

1 39. The written sales material presented to some investors included a brochure with the name  
2 Trend Group. Correspondence to investors was sent out on Trend Group stationary and sales agents  
3 were given business cards with JORDAN'S name as the Director of Client Services of The Trend  
4 Group.

5 **E. Easy Street Financial Group, Inc.**

6 40. In or about September 1999, EASY STREET began advertising high interest rate CD's in  
7 local newspapers. Typically, when investors would arrive at the EASY STREET office, they would  
8 meet with a salesperson who would offer them additional investment opportunities in insurance  
9 products. After January 1, 2004, those additional investment opportunities included investing in the  
10 TREND CAPITAL Certificates of Participation. Both EASY STREET and EASY STREET  
11 salespeople would make a commission on the sale of the TREND CAPITAL Certificates of  
12 Participation.

13 41. EASY STREET sold the TREND CAPITAL Certificates of Participation beginning at least  
14 as early as January 5, 2004 until at least October 7, 2004.

15 42. EASY STREET salespeople offered the TREND CAPITAL Certificates of Participation  
16 investment to individuals when those individuals/investors would respond to a high interest rate CD  
17 advertisement.

18 43. The written sales material presented to some investors included a brochure with the name  
19 "Trend Group."

20 44. EASY STREET salespeople failed to disclose the risk of investment in the Trend Capital  
21 Certificates of Participation, including, but not limited to: reduced debt recovery margins; increased  
22 costs to acquire consumer debt; limited ability to transfer the security; the illiquidity of the  
23 investment; that TREND MANAGEMENT was a new company with limited resources; that TREND  
24 CAPITAL was a new company with limited resources; that, if debt recovery parameters were  
25 inaccurate, the company may not realize projected earnings; and, that a weak economy could  
26 adversely affect the entity's ability to recover consumer debt.

1 **F. Current Status of Trend Management, Trend Capital, and Trend Group**

2 45. TREND MANAGEMENT, TREND CAPITAL, and THE TREND GROUP are all currently  
3 under the control of court-appointed Receiver Peter S. Davis, appointed in Cause No. CV2006-  
4 16822, Superior Court of Maricopa County (the "Receivership Action").

5 46. The court-appointed Receiver has received claims from investors in TREND  
6 MANAGEMENT, TREND CAPITAL and THE TREND GROUP of approximately \$11,974,000.

7 47. Financial analysis reflects that HERNDON, through entities and bank accounts he controlled,  
8 misappropriated at least \$2,763,000 of investors' funds.

9 48. HERNDON entered into a plea agreement with the State of Arizona in Cause No. CR2008-  
10 006148-001DT, Superior Court of Maricopa County wherein he pled guilty to two counts of theft.

11 **II.**

12 **CONCLUSIONS OF LAW**

13 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona  
14 Constitution and the Securities Act.

15 2. Respondent RYAN JAMES HERNDON offered or sold securities within or from Arizona,  
16 within the meaning of A.R.S. §§44-1801(15), 44-1801(21), and 44-1801(26).

17 3. Respondent RYAN JAMES HERNDON violated A.R.S. §44-1841 by offering or selling  
18 securities that were neither registered nor exempt from registration.

19 4. Respondent RYAN JAMES HERNDON violated A.R.S. §44-1842 by offering or selling  
20 securities while neither registered as a dealer or salesman nor exempt from registration.

21 5. Respondent RYAN JAMES HERNDON violated A.R.S. §44-1991 by (a) employing a  
22 device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of  
23 material facts, and (c) engaging in transactions, practices, or courses of business that operate or  
24 would operate as a fraud or deceit.

25 6. Respondent RYAN JAMES HERNDON'S conduct is grounds for a cease and desist order  
26 pursuant to A.R.S. §44-2032.



7. Respondent RYAN JAMES HERNDON'S conduct is grounds for an order of restitution pursuant to A.R.S. §44-2032.

8. Respondent RYAN JAMES HERNDON'S conduct is grounds for administrative penalties under A.R.S. §44-2036.

### III.

## ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent RYAN JAMES HERNDON'S consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. §44-2032, that Respondent RYAN JAMES HERNDON, and any of Respondent's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondent RYAN JAMES HERNDON comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. §44-2032, that Respondent RYAN JAMES HERNDON shall pay restitution in an amount equal to the total of investor claims in the Receivership Action, less any amounts paid therein to investors by the Receiver. Upon Respondent RYAN JAMES HERNDON paying the restitution called for under his Plea Agreement with the State of Arizona in Cause No. CR2008-006148-001DT, Superior Court of Maricopa County, the restitution called for under this paragraph shall be deemed fully satisfied and the Commission will execute and file an appropriate satisfaction of judgment. Any amount outstanding shall accrue interest at the rate of 10% per annum from the date of this Order until paid in full. Any restitution paid under this provision shall be paid directly to the Receiver in the Receivership Action.

IT IS FURTHER ORDERED, pursuant to A.R.S. §44-2036, that Respondent RYAN JAMES HERNDON shall pay an administrative penalty in the amount of \$100,000. Payment shall

1 be made to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10%  
2 per annum from the date of this Order until paid in full. The payment obligations for these  
3 administrative penalties shall be subordinate to any restitution obligations ordered herein and shall  
4 become immediately due and payable only after restitution payments have been paid in full or  
5 upon Respondent's default with respect to Respondent's restitution obligations.

6 For purposes of this Order, a bankruptcy filing by Respondent shall be an act of default. If  
7 Respondent does not comply with this Order, any outstanding balance of restitution and penalties  
8 may be deemed in default and shall be immediately due and payable.

9 IT IS FURTHER ORDERED that, if Respondent RYAN JAMES HERNDON fails to  
10 comply with this order, the Commission may bring further legal proceedings against Respondent,  
11 including application to the superior court for an order of contempt.

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

  
CHAIRMAN

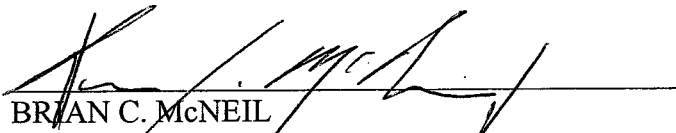
  
COMMISSIONER

  
COMMISSIONER

  
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COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
Executive Director of the Arizona Corporation  
Commission, have hereunto set my hand and caused the  
official seal of the Commission to be affixed at the  
Capitol, in the City of Phoenix, this 29<sup>th</sup> day of  
April, 2008.

  
BRIAN C. McNEIL  
Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, ADA Coordinator,  
voice phone number 602-542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

(LHJ/ASL)

**CONSENT TO ENTRY OF ORDER**

1  
2 1. Respondent RYAN JAMES HERNDON admits the jurisdiction of the Commission over  
3 the subject matter of this proceeding. Respondent RYAN JAMES HERNDON acknowledges that  
4 he has been fully advised of his right to a hearing (and to present evidence and call witnesses  
5 therein) and he knowingly and voluntarily waives any and all rights to a hearing before the  
6 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
7 Title 14 of the Arizona Administrative Code. Respondent RYAN JAMES HERNDON  
8 acknowledges that this Order to Cease and Desist, Order of Restitution, Order of Administrative  
9 Penalties and Consent to Same ("Order") constitutes a valid, final order of the Commission.

10 2. Respondent RYAN JAMES HERNDON knowingly and voluntarily waives any right under  
11 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or  
12 extraordinary relief resulting from the entry of this Order.

13 3. Respondent RYAN JAMES HERNDON acknowledges and agrees that this Order is  
14 entered into freely and voluntarily and that no promise was made or coercion used to induce such  
15 entry.

16 4. Respondent RYAN JAMES HERNDON acknowledges that he has been represented by an  
17 attorney in this matter, that he has reviewed this Order with his attorneys Christopher T. Rapp and  
18 Ashley Adams, and that he understands all of the terms it contains.

19 5. Respondent RYAN JAMES HERNDON neither admits nor denies the Findings of Fact and  
20 Conclusions of Law contained in this Order. Respondent RYAN JAMES HERNDON agrees that  
21 he shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this  
22 Order in any present or future administrative proceeding before the Commission or any other state  
23 agency concerning the denial or issuance of any license or registration required by the state to  
24 engage in the practice of any business or profession.

25 6. By consenting to the entry of this Order, Respondent RYAN JAMES HERNDON agrees  
26 not to take any action or to make, or permit to be made, any public statement denying, directly or

1 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that  
2 this Order is without factual basis. Respondent RYAN JAMES HERNDON will undertake steps  
3 necessary to assure that all of his agents and employees understand and comply with this  
4 agreement.

5 7. While this Order settles this administrative matter between Respondent RYAN JAMES  
6 HERNDON and the Commission, Respondent RYAN JAMES HERNDON understands that this  
7 Order does not preclude the Commission from instituting other administrative or civil proceedings  
8 based on violations that are not addressed by this Order.

9 8. Respondent RYAN JAMES HERNDON understands that this Order does not preclude the  
10 Commission from referring this matter to any governmental agency for administrative, civil, or  
11 criminal proceedings that may be related to the matters addressed by this Order.

12 9. Respondent RYAN JAMES HERNDON understands that this Order does not preclude any  
13 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,  
14 civil, or criminal proceedings that may be related to matters addressed by this Order.

15 10. Respondent RYAN JAMES HERNDON acknowledges that he entered into a criminal Plea  
16 Agreement with the State of Arizona in Cause No. CR2008-006148-001DT, Superior Court of  
17 Maricopa County based on facts and conduct arising from matters addressed by the Order.

18 11. Respondent RYAN JAMES HERNDON agrees that he will not apply to the state of  
19 Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser  
20 or investment adviser representative at any time in the future.

21 12. Respondent RYAN JAMES HERNDON agrees that he will not exercise any control over  
22 any entity that offers or sells securities or provides investment advisory services within or from  
23 Arizona at any time in the future.

24 13. Respondent RYAN JAMES HERNDON agrees that he will not sell any securities in or  
25 from Arizona without being properly registered in Arizona as a dealer or salesman or exempt from  
26 such registration; that he will not sell any securities in or from Arizona unless the securities are

1 registered in Arizona or exempt from registration; and, that he will not transact business in Arizona  
2 as an investment adviser or an investment adviser representative unless properly licensed in  
3 Arizona or exempt from licensure.

4 14. Respondent RYAN JAMES HERNDON agrees to continue to cooperate with the Receiver in  
5 the Receivership Action and agrees to not contest the validity of the receivership now or in the future.

6 15. Respondent RYAN JAMES HERNDON acknowledges that any restitution or penalties  
7 imposed by this Order are obligations of both Respondent RYAN JAMES HERNDON and his  
8 marital community.

9 16. Respondent RYAN JAMES HERNDON consents to the entry of this Order and agrees to  
10 be fully bound by its terms and conditions.

11 17. Respondent RYAN JAMES HERNDON acknowledges and understands that, if he fails to  
12 comply with the provisions of the Order and this consent, the Commission may bring further legal  
13 proceedings against him, including application to the superior court for an order of contempt.

14 18. Respondent RYAN JAMES HERNDON understands that default shall render him liable to  
15 the Commission for its costs of collection and interest at the maximum legal rate.

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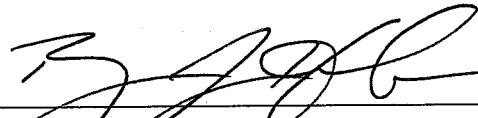
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1 19. Respondent RYAN JAMES HERNDON agrees and understands that, if he fails to make  
2 any payment as required in the Order, any outstanding balance shall be in default and shall be  
3 immediately due and payable without notice or demand. Respondent RYAN JAMES HERNDON  
4 agrees and understands that acceptance of any partial or late payment by the Commission is not a  
5 waiver of default by the Commission.

6  
7  
8   
9 RYAN JAMES HERNDON

10  
11 STATE OF ARIZONA )  
12 ) ss  
13 County of )

14 SUBSCRIBED AND SWORN TO BEFORE me this 27<sup>th</sup> day of March, 2008.

15   
16 NOTARY PUBLIC

17 My commission expires:

18 10-3-2011

